

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1728 - SB 2279

March 2, 2014

SUMMARY OF BILL: Defines “airport fee” and “vendor” for use by metropolitan airport authorities (MAAs). Authorizes MAAs to establish and charge fees not inconsistent with the rights of the holders of its bonds and to enter into agreements with carriers for the payment of airport fees. Requires MAAs airport fees to be calculated based solely on a vendor’s commercial use of the airport facilities and not based on any calculation related to the benefits derived by the vendor but to be assessed equitably and consistently upon vendors whose physical use of the airport are similar in nature. Requires MAAs to give equal rights of access to vendors with similar physical use of the airport facilities. Requires any proposed increase in airport fees that exceeds the latest annual inflation rate for the United States to be approved by a two-thirds majority vote of the local governing body and requires notice be given to all impacted vendors 60 days to prior to any hearing on such an airport fee increase.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$178,800

Increase Local Expenditures – Exceeds \$400,000*

Assumptions:

- The provisions of the bill will impact the Chattanooga Metropolitan Airport Authority (CMAA), the Metropolitan Knoxville Airport Authority (MKAA), the Memphis-Shelby County Airport Authority (MSCAA), and the Metropolitan Nashville Airport Authority (MNAA).
- Pursuant to Tenn. Code Ann. § 42-4-102, airport authorities are public and governmental bodies acting as agencies and instrumentalities of the creating and participating municipalities.
- According to information provided by MNAA, there are ten separate classifications of ground transport servicing the authority. The ten classifications are then put into eight different classes for the purpose of calculating fees and charges.
- According to MNAA, when establishing fees for ground transportation vendors, the authority considers the benefit conferred on each various class of vendor, and may consider the nature of the businesses that provide commercial ground transportation and the direct and indirect impact on airport revenues from imposing fees on the various ground transportation providers.

- The MNAA ground transportation fee schedule indicates five of the eight classes are currently paying a per-trip fee, while the remaining three classes pay a percentage of monthly gross revenues, a monthly fee, or a combination of the two.
- Based on information provided by MNAA, currently taxicabs utilize the airport most frequently followed by off-airport parking operators.
- Based on current fee schedule calculations, taxicabs are charged \$1.50 per trip, and off-airport parking operators are charged \$6.25 per trip for a small commercial vehicle.
- The provisions of the bill would require all ground transport vendors to be charged a rate based solely upon the vendor's commercial use of the airport; due to the frequency of their use of the airport, it is assumed taxicabs and off-airport parking operators would be charged the same rate.
- The legislation would require any proposed increase in airport fees that exceeds the latest annual inflation rate as reported by the Bureau of Labor Statistics to first be approved by a two-thirds majority vote of the local legislative body and notice to be provided to all impacted vendors 60 days prior to any hearing on the fee increase.
- According to the Bureau of Labor Statistics, the United States inflation rate as of January 2014 is 1.6 percent.
- The highest per-trip rate charged to taxicabs without local legislative action would be \$1.52 (\$1.50 current rate x 1.6%), resulting in an increase in fee revenue of \$0.02 (\$1.52 new rate - \$1.50 previous rate) per trip.
- Charging off-airport parking operators the same rate as taxicabs would result in a decrease in fee revenue of \$4.98 (\$6.50 current rate charged - \$1.52 highest taxicab rate allowable) per trip; resulting in a net decrease in fee revenue of \$4.96 (\$4.98 decrease - \$0.02 increase) per trip.
- According to MNAA, there are four off-airport parking vendors.
- If each vendor utilizes at least two transport vehicles, each conducting at least 12 trips a day, it would result in a decrease in fee revenue exceeding \$173,798 (\$4.96 net decrease per trip x 12 trips per day x 8 total transport vehicles x 365 days annually for MNAA).
- A precise decrease in fee revenue for CMAA, KMAA, and MSCAA is unknown however a combined decrease for all three airport authorities is reasonably estimated to exceed \$5,000 annually. The total decrease in local government revenue is estimated to exceed \$178,798 (\$173,798 MNAA decrease + \$5,000 CMAA, KMAA, and MSCAA decrease)
- According to MSCAA, the authority would require an Automatic Vehicle Identification (AVI) system in order to establish the commercial usage of its ground transportation vendors, as required by the provisions of this legislation. Installation of an AVI system would result in an increase in local government expenditures of \$400,000.
- An AVI system is currently utilized by MNAA. It is unknown if CMAA or KMAA will need to implement such a system for the establishment of usage fees.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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